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Advocating the power of competition

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VIA ELECTRONIC MAIL

Monica Harvey
Virginia Department of Environmental Quality
629 East Main Street
P.O. Box 1105
Richmond, VA 23218

Re: Comments on the Draft Operating Permits for the Potomac River Generating Station

Dear Ms. Harvey:

The Electric Power Supply Association (EPSA)¹ is aware of the draft operating permits and draft consent orders before the Virginia Department of Environmental Quality (DEQ) for review regarding the operations of the Potomac River Generating Station (PRGS) in Alexandria, Virginia. EPSA submits these comments due to the risk posed to grid reliability for the D.C. region of the PJM system based on the gap that would occur for the month of June 2007 should the DEQ not approve the necessary order before June 1, 2007.

Only one of the draft consent orders would allow PRGS to provide the reliability services that objective system analysis shows are necessary to help prevent interruptions to wholesale power grid operations in the D.C. region. EPSA urges the DEQ to accept the draft consent order between the DEQ and Mirant Potomac River LLC (Mirant), not the draft consent order put forth by the city of Alexandria or the three permits. The former addresses the primary reliability problem that PRGS faces – a gap between the ending dates of two separate orders that require Mirant to operate PRGS during line outage situations. The reliability of the PJM grid in and around D.C. will be at risk if this gap is not closed.

¹ EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

PRGS is currently operating under two distinct orders: (1) an Environmental Protection Agency (EPA) administrative compliance order, which expires on June 1, 2007; and, (2) an operating order from the Department of Energy (DOE), which expires on July 1, 2007, unless extended by DOE. The DOE order requires PRGS to provide the electricity necessary to maintain grid reliability and requires Mirant to operate in accordance with the EPA order, which establishes the manner in which Mirant must operate during certain conditions to ensure compliance with environmental limits. In the event Mirant must operate under a permit that does not enable it to comply with the DOE order as of June 1, 2007, there could be serious reliability issues facing the nation's capital region.

The June/July period in which the gap between these two expiration dates occurs is of particular concern, as the PJM region experiences peak demand during summer months. As PJM pointed out in its letter on this issue, the planned line outages that are scheduled to occur during that time could significantly impact the ability of PJM to maintain reliability in the DC region if PRGS is not available. PJM further states that, "it is critical that all five units at Potomac River be available for operation during the planned line outages."² PJM is the operator charged with ensuring reliability across a 14 state region. EPSA urges the DEQ to resolve this situation in a timely manner that allows PJM to meet the reliability needs of the DC region during line outages until needed transmission upgrades are complete.

As the operation of PRGS affects the reliability of the entire DC region, it is imperative that this issue be resolved before the EPA order expires on June 1, 2007. EPSA urges the Virginia DEQ to accept the consent order proposed by DEQ and Mirant, which has been coordinated between those entities in order to enable PRGS to operate to help ensure reliable energy in the DC region.

Sincerely,



John E. Shelk

² See PJM Letter at Page 2.